

**FISCAL NOTE**  
**HB 2831 - SB 3001**

February 18, 2000

**SUMMARY OF BILL:** Amends TCA 67-6-102(24) to exempt from sales and use tax the following:

- Leased motor vehicles provided to an employee of a franchised motor vehicle dealer for the employee's personal use at no cost or charge to the employee pursuant to a rental vehicle use allowance earned by the employee such employees performance as an employee of the dealer.
- Leased motor vehicles provided by a franchised motor vehicle dealer to non-employees at no charge or cost to the person using the vehicle when such use is for the purpose of demonstrating or displaying the vehicle to the public with the intent of promoting interest in and sales of similar vehicles.
- Leased motor vehicles provided by a franchised motor vehicle dealer at no charge or cost to such dealer's customer whose motor vehicle is undergoing repairs by such dealer under the manufacturer or distributor's warranty or under an extended service contract, or to a customer whose vehicle is undergoing repairs other than under an express warranty or extended service contract, provided that such customer is providing the use of the vehicle at no charge or cost for the purpose of promoting goodwill or good customer relations.
- Charges by a franchised motor vehicle dealer made to the manufacturer or distributor of motor vehicles for pre-delivery inspections of motor vehicles provided under warranty by the dealer to the manufacturer or distributor of the vehicles.

The effective date is retroactive to January 1, 1996

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - Exceeds \$100,000**

**Decrease Local Govt. Revenues - Less Than \$100,000**

The Department of Revenue is currently holding that sales taxes should be paid on leases addressed by the bill. Based on information provided by the department, the amount of such lease activity is estimated to be sufficient enough to generate a loss of state revenues in excess of \$100,000.

Because of the single item cap on local option sales taxes the amount of sales tax loss to local governments is estimated to be less than \$100,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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